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1. Soviet policy is to finance underground activities out of proceeds from commercial operations within the particular country. Stalin considers ability in commercial speculations just as important as political insight in selecting his foreign representatives. An ambassador who can finance all his activities exclusively out of profits from trade and from speculative activity is very highly regarded.

2. If activities cannot be financed in this way, gold will be used to buy the appropriate currency on the free market. The Soviet Union conducts enormous gold-mining operations, wherein labor is performed by inmates of concentration camps at a negligible cost. The supply of gold, however, is limited and gold is used only when absolutely necessary. Sale of gold can be accomplished very easily in such a country as Switzerland and the desired currency purchased.

3. Iranian activities are generally financed from proceeds of Soviet exports to Iran. Such products are produced at a minimum cost in the USSR by a policy of virtual confiscation of the raw materials from producers and very low wages to processors. These are transported very cheaply into Iran by barge and ship on the Caspian sea of overland by rail to Tabriz from the Caucasus. They are sold in Iran at a very large profit.

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4. Salaries to Iranian employees of Iran-Soviet joint commercial companies, such as Iranikha and Iransovtrans, are also paid out of proceeds from sale of cheap Soviet goods in Iran.

5. Soviets agents spend enormous sums of money for propaganda and subversive activities in Iran. As much as $5,000 may be paid for an article in a newspaper or journal. Tremendous bribes are paid out to high government officials. Ivan Vassilievitch Sadchikov, the Soviet ambassador in Teheran, declared that any Iranian official can be bought; it is only a question of price. The British were also buying up the Iranian officials, but apparently were not as successful as the Soviets. I am convinced that Mossadeq was bought by the Soviets. Though Iranian officials are supposedly fanatical patriots, they only exploit the fanaticism of the masses for their own gain.

6. The following is an account of how one major bribing operation was carried through: in 1949, a bribe of 2,000,000 tuman (approximately $650,000) was to be paid to Zayid, the Prime Minister. Orders arrived from Moscow that a shipment of 100,000 tons of wheat was to be sold in Iran. As there was a shortage of wheat in Iran at the time, the propaganda value of this transaction was also magnified. The Soviet trade representative in Teheran was instructed that the sale was to be made to a certain Vahab-Zadeh, a close friend of Zayid, even though more attractive offers for the shipment might be received from other quarters. The Iranian government could have no objection to Vahab-Zadeh's transaction, since he was obtaining needed wheat at an attractive price. The commission received by Vahab-Zadeh was arranged directly between himself and the Soviet government. The enormous commission was converted into pounds sterling and it was in this currency that the bribe was eventually paid to Zayid. In dealings of this nature, part of the technique is to avoid anything that might cause embarrassment either to the Soviet Embassy or to the official being bribed. The Embassy itself is not directly involved actually, for the Soviets have agents in official circles who carry out such operations.

7. A similar transaction with 100,000 tons of cement was also carried out through an Armenian named Avokhimian. The latter made a personal profit on the sale and also paid a bribe of 300,000 tuman in order to influence decisions regarding Iranian railroad administration which would be favorable to Soviet policy.

25X1X 8. [redacted] to estimate the amount of gold which is being used by the Soviet Government for financing underground political activity in Iran. However, very little gold is needed, since proceeds from Soviet exports are sufficient to pay for all activities.

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